



Brussels,

**NOTE FOR THE ATTENTION OF MR J. DELBEKE
DIRECTOR GENERAL DG CLIMA**

Subject: Way forward – China - Carbon Capture and Storage (CCS) project – Partnership Instrument

Ref.: Your note Ares(2016)1153513 of 07 March 2016
Our note Ares(2016)698514 of 9 February 2016

We take good note of your note in reference and the political priority and support DG CLIMA attributes to Phase II B of the China-EU Near Zero Emission Coal cooperation.

Following consultation with the EEAS, I am pleased to inform you that FPI stands ready to commence work with your service to include the proposed project under the second phase of the Annual Action Programme 2016 of the Partnership Instrument (PI), for which the inter-service consultation should be launched before summer.

However, considering the remaining outstanding issues that need to be addressed under the inception phase of the project and bearing in mind that the application of a contractual early termination clause upon completion of this phase would result in a significant amount of funds having to be de-committed with no possible alternative use under the PI, we propose to opt for a phased approach whereby the initial commitment would be limited to the financing of the inception phase. Upon a positive conclusion of the latter, we could consider a larger financial contribution to the implementation phase, which if an overall consensus exists, may even go beyond the currently discussed EUR 7 000 000.

This approach would allow meeting the political imperative not to lose momentum in our post-COP21 cooperation with China on climate change, while at the same time responding to equally important concerns for the sound financial management of PI EU funds.

If you agree with this way forward, I would kindly ask you submit an action fiche and log-frame for the first phase of the project. Please note that your suggestion of working with the ADB as implementing partner for this action is subject to finding an appropriate and feasible contractual mechanism in compliance with the Financial Regulation. Otherwise, alternative implementation modalities would have to be contemplated.

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Tung-Lai MARGUE

c.c.:

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(EEAS)

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(CLIMA)

(DEL Beijing)

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